

CAI
AGI
-1983
D18

Canada. Office of the Auditor General.
Auditing interdepartmental issues.

(Discussion paper no. 18)

CAI
AG 1
1983
D18

Office of the
Auditor General
of Canada



Bureau du
vérificateur général
du Canada

DISCUSSION PAPER NO. 18

AUDITING INTERDEPARTMENTAL ISSUES

BY

Marvin Schwartz

JUNE 1983

DISCUSSION PAPER SERIES

DOCUMENTS DE DISCUSSION

The attached paper has been prepared to stimulate thought and discussion regarding our audit activities. The views expressed are those of the author and therefore should not be construed as those of the Office.

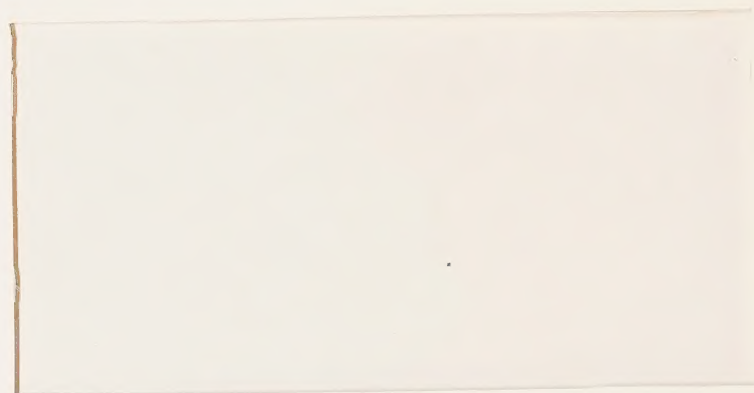
Your comments would be appreciated and should be directed to the attention of the author.

Additional copies of this paper, or other papers in the "Discussion Paper Series", may be obtained through the PROFESSIONAL PRACTICES GROUP.

Le document ci-joint vise à stimuler la réflexion et la discussion sur nos activités de vérification. Les opinions exprimées dans ce texte sont celles de l'auteur et, par conséquent, ne lient pas le Bureau.

Vos commentaires seraient appréciés et vous êtes priés de les faire parvenir à l'auteur.

Vous pouvez vous procurer des exemplaires supplémentaires de ce document ou des autres écrits de la série des "Documents de discussion" en vous adressant à la DIRECTION DES MÉTHODES PROFESSIONNELLES.



CAI
AGI
-1983
D18

DISCUSSION PAPER NO. 18
AUDITING INTERDEPARTMENTAL ISSUES

BY

Marvin Schwartz

JUNE 1983





Digitized by the Internet Archive
in 2022 with funding from
University of Toronto



<https://archive.org/details/31761115503369>

Auditing Interdepartmental Issues

A number of issues reported in our 1982 Report involved several audit entities. Some of these issues were significant from a value-for-money perspective, others from a perspective of safety to employees and the public, and still others from a program delivery perspective. Discussions within the OAG have revealed that similar issues have arisen in the past and others are appearing as the new round of audits begins.

Why draw attention to these issues if they have been identified, investigated and reported? The reason is that while issues have been identified, identification of their full extent has not taken place; while they have been investigated, the investigations have stopped short of being full investigations; and while they have been reported, the limited identification and investigation have resulted in reports that present findings which hint at deeper problems.

Recognition that issues span departments and agencies is not new. This paper will attempt to draw attention to examples of these issues and explain why these issues receive less than the full treatment they may deserve.

Present Audit Structure

The mainstays of the present audit structure are the three types of audits carried out by the Office. These are, as set out in the Comprehensive Auditing Manual:

- government-wide studies and inquiries of a government-wide nature;
- comprehensive audits of departments, agencies and Crown corporations; and
- special assignments.

The comprehensive audit is an examination of a specific audit entity; for example, the audit of the Department of Agriculture. The government-wide audit examines a particular area or issue in a number of different audit entities; for example, the government-wide audits of research and development and management of photocopying. Special assignments at the request of the Governor in Council are defined by the Governor in Council - but such requests are a relative rarity.

Interdepartmental Issues

Issues that span departments arise from audits that have been conducted rather than being the reason for carrying them out. To enlarge on this point, several examples from the 1982 Report will be examined.

One example of an issue that spanned departments was identified during the comprehensive audits of National Health and Welfare (NH&W) and Agriculture Canada. Both NH&W and Agriculture use or come into possession of substances that may become potentially hazardous waste material. These waste

materials must be disposed of on a regular basis. Environment Canada (EC) was seen to be responsible for the disposal of these wastes. However, while EC has been picking up and disposing of waste materials for several years, its mandate for doing this is not clear. In the last fiscal year EC's funds for providing the service ran out. Agriculture and NH&W, and perhaps other departments as well, were faced with a backlog of waste materials. A push from this Office facilitated a short-term solution in these two departments (paragraphs 8.51 and 12.53).

The above example identified an interdepartmental issue but stopped short of an examination of the role of Environment Canada because that entity was not being audited.

In the audit of the Canada Employment and Immigration Commission (CEIC), steps were taken to examine the roles of entities involved in the delivery of the Immigration Program even though they were not being audited. Customs and Excise, NH&W, External Affairs and the RCMP all had parts to play in the Immigration Program. The issue of interdepartmental co-ordination was identified. For example, Customs and Excise Officers acting on behalf of CEIC carry out the primary examination of visitors and immigrants. Customs and Excise has been performing this function for 18 years and yet the respective roles and responsibilities of CEIC and Customs and Excise had not been clearly defined. The interdepartmental problem was investigated at Customs headquarters but not in the field. The problem was reported. (See paragraphs 7.63 - 7.77.)

Another example of an interdepartmental issue is the case of the printing press at Energy, Mines and Resources (EMR). This issue, reported in the

audit of the Mineral and Earth Sciences Program at EMR, has an attributable cost in the millions. It "has not been resolved because of a dispute between DSS and EMR concerning their respective mandates with regard to printing." (Paragraphs 9.74 - 9.77.)

The complexity of management is obvious in the light of interdepartmental issues. The DND audit report alluded to this problem when discussing the interdepartmental activities in the acquisition of major equipment:

In light of our assessment of the Defence Program Management System, a brief discussion is in order about the long period of time sometimes required between the needs identification phase and the delivery of the equipment. An obvious factor is the inherent complexity of a major equipment project; for example, the New Fighter Aircraft must be able to carry out three missions with quite different requirements. More importantly, the Government takes considerable interest in these large projects because of the opportunities to achieve objectives beyond those of DND, such as industrial and regional development. This requires the involvement of other government departments and central agencies through inter-departmental committees which must resolve important trade-offs among opportunities to achieve different objectives. Departmental management systems cannot be designed to hasten this process; they can only be designed to provide required information and to react to decisions when they are made. (Paragraph 11.69 of the 1982 Report.)

The audit of the Industry Development Activities of the Department of Industry, Trade and Commerce (IT&C) provides a different example of this type of issue. Under the heading Special Cases, some attention was given to assistance provided to Chrysler and Massey Ferguson (paragraphs 10.89 to 10.94). The report notes that "An interdepartmental committee, comprising Treasury Board, the Ministry of State for Economic Development, and the Departments of Finance and IT&C played various roles in the decision-making process." The report also states that the role of the other participants in the process was not reviewed. It concludes with the statement that "IT&C fulfilled its role satisfactorily." The interdepartmental committee is treated as a focal point for issues of responsibility, accountability and auditing in this example.

The audit of Foreign Operations focused on the delivery of programs at posts outside Canada. These programs involve the participation of different departments such as CEIC, IT&C and, naturally, External Affairs. The Foreign Operations audit is an example of how interdepartmental issues can be examined by focusing on the assignment of responsibility and accountability to interdepartmental mechanisms.

The Interdepartmental Committee on External Relations (ICER) and its 1980 replacement, the Committee of Deputy Ministers on Foreign and Defence Policy, have been largely ineffective in rationalizing resources abroad with Canada's external interests. The respect for departmental sovereignty over programs has precluded effective inter-departmental examination of program objectives and priorities at posts. Reviews of resource allocations have concentrated on marginal

and incremental items while the resource base has been taken for granted. The process has not resulted in a meaningful set of objectives or priorities for the posts or in adequate feedback to their proposals. As a result of the inability of interdepartmental mechanisms to discharge their mandate adequately, the Government has no assurance that the human and financial resources at a particular post are relevant and proportionate to Canada interests in that country. (Paragraph 14.1.)

There is a good reason to believe that this year's audits will add to the list of issues involving several audit entities. In 1981, the federal government forecast an increase in this type of issue in the booklet on the Policy Expenditure Management System (PEMS) issued by the Privy Council Office.

The complexity and rapidity of change in Canadian society - and hence of the issues facing government - have meant that few problems can be contained within the span of a single department or the responsibilities of a single minister. As the number of government departments and agencies increases, in response to demands from the public for action in areas such as environmental protection, consumer affairs, and regional development, this situation becomes more serious. The need for mechanisms that provide for effective cross-departmental action and co-ordination becomes more urgent.

Since the OAG has restructured itself to reflect the PEMS envelope system of organization, the possibility of dealing with the above issues may have

increased. However, the Office will have to decide specifically how issues are to be dealt with when they affect more than one audit entity. There are at least three significant difficulties in auditing these issues.

First, an issue may evolve during the current year between entities A and B. A is being audited this year; B may have been audited last year. There may be a reluctance to initiate audit activities in B, especially if B has just been audited.

Second, an issue may arise late in an audit. While its importance is recognized, the time required to contact another entity, identify the parameters and investigate the issue may preclude the possibility of reporting the issue in depth for the current year's report. With time, the issue may become stale.

Third, these may be a lack of resources. Indeed, this may be the major constraint to the examination of an issue. Audits are planned with budgets which apply to specific projects. While there may be considerable latitude in the number of hours available to the audit, there may not be enough latitude to extend to another audit entity or entities. The audit may be faced with an unplanned-for project which may draw substantial resources.

We can expect an increasing number of high profile interdepartmental issues to arise. The Office should begin to consider ways of dealing with them. As a beginning, we could review issues that cut across departments which our audits have already identified and use them to develop procedures for interdepartmental issues.

AE 14-7-88

3 1761 11550336 9

